



Federal Universal Service: An Overview

Sue McNeil

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Introduction

- Universal Service is ...
 - Access to telecommunications services to all regions of the nation at reasonable rates for:
 - those living in rural or high cost areas
 - low-income consumers
 - rural health care facilities
 - public and private schools and libraries

Introduction

- History
 - 1996 Act codified FCC's historical commitment to universal service objectives
 - Pre-Act: implicit subsidies Post-Act: explicit support
- Guiding Principles:
 - Explicit
 - Specific, predictable, and sufficient
 - Competitively neutral
 - Portable among carriers
 - Equitable and non-discriminatory

Universal Service Programs

- **High Cost:** Support for carriers providing telecommunications services in rural or high cost areas to maintain rates comparable to urban rates
- **Low Income:** Discounts on installation and monthly service charges for low-income customers
- **Rural Health Care:** Discounted service for rural health care facilities
- **Schools and Libraries:** Discounted services for schools and libraries

Support & Contributions

- **Total 2003 Support: \$5.6 Billion**

- High Cost: \$3.3 Billion
- Schools and Libraries: \$1.6 Billion
- Low Income: \$713 Million
- Rural Health Care: \$26 Million

- **Who Contributes?**

- Every telecommunications carrier that provides interstate telecommunications services
- Other providers of interstate telecommunications, if the FCC determines that the public interest so requires
- *De minimis* rule exempts carriers whose contribution to universal service in any given year is less than \$10,000

Support & Contributions

- **How Much?**

- FCC determines projected expenses of support mechanisms quarterly.
- Based on projected expenses & total assessable revenues, FCC establishes a contribution factor.
 - 2Q2004 contribution factor: 8.7%
- Contributors are assessed monthly by multiplying the assessable revenues by the contribution factor.

- **Are we getting it right?**

- FCC is reviewing current revenue-based assessment system in light of a changing telecom marketplace (e.g. migration and bundling)
- FCC is also examining whether facilities-based broadband Internet providers should be required to contribute

High Cost

- Provides support to enable carriers to provide telephone services in high-cost areas at affordable rates
- Provides different levels of support depending on the size of the provider and the level of cost

Definition of Supported Services

- Single-party service
- Voice grade access to the PSTN
- Dual tone multifrequency signaling
- Access to emergency, operator, and interexchange services, and directory assistance
- Toll limitation services for qualifying low-income consumers

Eligibility for High Cost Support

- Must be designated an “Eligible Telecommunications Carrier”
- Must provide the supported services throughout the service territory
 - Carriers need not “offer” services throughout entire territory prior to designation as an ETC
- Must advertise the availability of the supported services throughout the service territory

ETC Process

- State PUCs have primary responsibility for ETC designation
 - 1996 Act provides that states *shall* designate more than one ETC in non-rural areas
 - 1996 Act more permissive in rural areas, providing that states *may* designate more than one carrier
 - Designation based on public interest analysis
- Where states don't have jurisdiction to designate carrier as an ETC, the FCC asserts jurisdiction
 - Tribal lands one area where the FCC has asserted jurisdiction
- FCC decisions made within six months of the release of the order resolving the jurisdictional issue

Open Issues for Rural USF Support

- Scope of Support
 - Single vs. Multiple Connections
 - Per-line Cap Proposal
- ETC Designation Process
 - Recommendation to establish permissive criteria for states to consider in designating ETCs
- Definition of “Rural”
- Cost Models for Determining Support
 - Embedded vs. Forward-looking Costs

Contact Information

- Contact the FCC at:
 - www.fcc.gov
 - 1-888-CALL-FCC (1-888-225-5322)
 - TTY: 1-888-TELL-FCC (1-888-835-5322)

Low Income

- Components of Low Income Support:
 - Link-Up: discount on installation (up to \$30)
 - Lifeline: discount on monthly phone service ranging from \$5.25 to \$10.00
 - If state has a matching Lifeline program, may also qualify for an additional \$3.50
 - Toll Limitation Support compensates carriers for providing voluntary toll-limitation.
- Eligibility
 - Based on state criteria or participation in certain federal need-based programs
 - Add'l support available to low income residents living on tribal lands

Rural Health Care

- Eligible health care providers apply for discounts on telecommunications services
- The rural health care provider must apply every year
- Urban or rural health care providers may receive support for up to 30 hours or \$180 (whichever is less) per month of toll charges to reach the internet, if no local dial-up access is available
- Beginning FY2004, eligible rural health care providers may receive a 25% discount off of the monthly cost of Internet

Schools and Libraries

- Eligible schools and libraries apply for discounts on:
 - Telecommunications services
 - Internet services
 - Internal connections
- Discount based on percent of students eligible for the school lunch program
- Discounts range from 20-90 percent
- Discounts vary between rural and urban areas
- Schools and libraries must competitively bid for services and apply every year
- Provider is reimbursed for the discount it provides